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| Company/ASX Code | IDP Education Limited/ IEL |
| AGM date | Tuesday 20 October 2020 |
| Time and location | 10am Virtual; https://agmlive.link/IEL2020 . |
| Registry | Link |
| Webcast | Yes |
| Poll or show of hands | Poll on all items |
| Monitor | Mike Robey assisted by Mary Curran |
| Pre AGM Meeting? | Yes, with Chair Peter Polson, Mary Curran (ASA) |

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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| Item 1 | Consideration of accounts and reports |
| ASA Vote | No vote required |

Summary of ASA Position

IDP was travelling extremely well until March 2020 when COVID-19 effectively shut down the international travel of students and substantially reduced the demand for English language certification testing and University placement, which are the main sources of revenue. Despite the earnings cliff, the momentum of the first three quarters of the year led to a full year earnings before interest and tax (EBIT) growth of 11% to \$107.7m and a 2.3% increase in net profit after tax (NPAT) to \$71.5m, excluding a new accounting change in the treatment of leases (AASB16).

Revenue was down 1.8% on the pre-AASB16 basis to \$587.1m. Just prior to the COVID-19 cliff, revenue was 19.7% up year-on-year, so the business remained in very high growth and was a darling of the ASX market, with price to earnings multiples (P/E) in the 80's. Long term shareholders had also done well since the float in 2015, with the share price rising from about \$3 to the pre-COVID-19 of \$25.

This plunged to about \$10 and rebounded to the current \$18. IDP has a firm footing in a business with a high moat confronting new entrants, since the language test they administer is one of relatively few trusted and secure forms of English language tests available. There is optimism that the strong demand for foreign degrees will continue post COVID-19, which has lifted the share prices. It remains to be seen if the worsening tension between the Chinese and many foreign governments will flow through to the relatives of students seeking a foreign qualification and if this aspect of globalisation will suffer from this geo-political tension.

China at present is the number 1 user of the services, with India a distant second. There are a further 43 countries in which it operates. IDP remains positive and believes that its secure online testing and student placement capability can cope with the lack of physical travel. They set up

virtual events with students across the globe to address the changing needs for language assessment and placement

IDP managed a significant cost out program immediately after the onset of COVID-19 and ramped up a newly established virtual digital campus in Chennai India as a communication and sales platform for its global operations.

Governance and culture

IDP is a true global business and behaves comfortably across the globe. It has expanded rapidly and managed the localised environments well to secure fast growth businesses in most of its constituencies. Having once been a public sector university driven not for profit it has managed the transition to a high growth, highly profitable entrepreneurial business in record time.

Key events

IDP conducted a capital raising and associated SPP at a 2% discount to the 5-day weighted average price, raising \$225m from Institutional Investors and \$34.5m from retail shareholders. The original plan was to raise a mere \$15m from retail shareholders but this was expanded by \$29m of oversubscription according to a scale-back model. This was not a fair capital raising, in that it was not the gold standard accelerated prorata with rights trading option (PAITREO) and even with the acceptance of the oversubscribed applications, still only had 44% of retail shareholders participate. Many shareholders were therefore diluted.

The major shareholder of IDP, Education Australia, a consortium of 39 Universities, has also very recently announced a potential sell-off of some of their shareholding in order to offset their financial losses following the block of student travel to Australia.

ASA focus issue (not discussed under remuneration report or re-election of directors)

IDP has a non-diverse Board with only a single female in a board of 7. This is largely out of the hands of the Chair, since the major shareholder, EA, has rights to 3 board positions and all are men. This is covered under the re-election of Professor Battersby. All Directors have adequate share holdings.

Summary

| (As at FYE) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| NPAT (\$m) | 67.8 | 66.6 | 51.5 | 41.5 | 39.9 |
| UPAT (\$m) | 70.4 | 71.4 | | | |
| Share price (\$) | 15.49 | 18.11 | 9.92 | 5.01 | 4.06 |
| Dividend (cents) | 17 | 20 | 15 | 13 | 6 |
| TSR (%) | -10.6 | 70.5 | 110.9 | 26.9 | 0.0 |
| EPS (cents) | 26 | 26 | 20 | 16 | 16 |
| CEO total statutory remuneration, excluding options, and LTI (\$m) ¹ | 1.721 ² | 1.531 ² | 1.401 ² | 1.381 ² | 1.028 ² |

¹ See commentary under remuneration. Mr Barkla took home a total of **\$37.7m**, largely by exercising 3.4m options resulting from the IPO in 2015. Since the published amounts for LTI are based on fair value at grant date and not realised value, the statutory remuneration figures including LTI published in the annual reports are substantially lower than actuals, so have been omitted

²excludes LTI component

For 2020, the CEO's total realised remuneration was **1306 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics). This is a record high salary for Australian CEOs.

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

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| Item 2a | Re-election of Professor David Battersby as a Director |
| ASA Vote | Against |

Summary of ASA Position

IDP is required to have three Directors from the major shareholder Education Australia (EA) and Professor Battersby is the one coming up for re-election. In the prior year's AGM we made the point that IDP was not even close to the minimum standard for female representation, since they only have a single female on the Board and that it was time, given their ascendancy into the higher echelon of the ASX, that they did so post haste.

Since then there has been no progress, and we are confident that the independent Chair who wants more women on his board has his hands tied by the majority shareholder, so we are

exercising our option to vote against the re-election of the EA Director standing. In addition, professor Battersby has already served 9.5 years on this board, so it is a suitable time for a successor.

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| Item 2b | Re-election of Ms Ariane Barker as a Director |
| ASA Vote | For |

Ms Barker is the current CEO of an Angel Investor group, which has a particular focus on women entrepreneurs and comes with an executive finance background in the subsidiaries of four major global banks on four continents. She was first appointed in 2015 and is the only female on a board of seven. She holds 21.7K shares in IEL, which is well above our guideline minimum parcel. Given the high representation of women among the clients of IDP, she brings a great balance of entrepreneurialism and financial experience to the all-male University-based appointees from Education Australia. We support her appointment.

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| Item 3 | Adoption of Remuneration Report |
| ASA Vote | Against |

Summary of ASA Position

Remuneration for the CEO and KMP was substantially increased in the year prior to this following the rapid growth of the company in value and earnings. The CEO plan is a regulation fixed salary, STI (short term incentive) and LTI (long term incentive) package. STI is split into roughly half in deferred rights for the following year and the other roughly half in cash in the current year. Measures used are EBIT (50% weighting) and a range of operational and strategic objectives.

The long-term incentive is substantially smaller than the STI range and is 3 year deferred into performance rights. These have a vesting hurdle of Measures used are total shareholder return compound growth (TSR CAGR), shareholder return relative to a group of 40 companies of a similar size and earnings per share compound growth total (EPS CAGR) over 3 years. We raised the issue that the rapid growth of IEL in recent years put them in the league of the ASX100 (they are inadmissible since they have insufficient free float) and they stated that every year they refined the comparator group to better reflect the size of the business.

IEL sees themselves as a difficult to categorise business within the ASX and ultimately would prefer a simple absolute TSR measure. Hurdles are not published in advance for STI in the current COVID-19 year but are published retrospectively. LTI targets are to be in the 50 to 75% of their comparator group for the three year period, with 50% of the award vesting at the 50th percentile and 100% at the 75th percentile and on a straight line between the two limits for anywhere in between.

The issue price of the LTI rights is calculated using fair value and a Monte Carlo method for establishing the price at time of issue. ASA has a guideline stating that the price should be set at the market price (face value), since there can be distortions in the eventual grants if the assumptions in the obtuse fair value calculation model are not realised. For this reason, we will

vote against the remuneration report and will raise the need to change the method to face value of shares in coming LTI awards.

IDP is also sensitive about publishing the value of vested LTI performance rights from prior years since Mr Barkla was the most highly rewarded CEO in Australia last year, taking home \$37.7m, the major part of which was due to the vesting of options set at the time of the IPO in 2015. When IEL floated in 2015 these options were priced at \$1.40. Today the share price is about \$18. We raised the issue of publishing a table of actual take home pay in the annual report, which was received with a promise to consider this. Our point was to be up front rather than have the media beat this up. It is a very difficult task to calculate actual take home pay from the annual report, as we have noted in the multi-year table above.

In the current year Mr Barkla received 65% of the target STI since the EBIT was only 7% up on last year and many of the operational targets were affected by 3+ months of COVID-19. The Board took the decision not to modify any targets because of the COVID-19 related downturn. Given that this is a business built on the movement of students to foreign Universities, and that all travel ceased across the globe, this decision demonstrated an ability to be firm and shareholder focused.

All Directors and senior executives took a 20% cut to their fixed remuneration for six months from April 1, with an undertaking to review again this after the six months.

Mr Barkla has earned eye watering amounts this year and will continue to earn well in the 2021 financial year since his 2018 LTI award has vested. He exercised 3.43m options (@\$1.44) from the IPO issue in 2015 and 592.6K zero price performance rights from the 2017 LTI. His realised pay was \$37.7m, a record for an Australian CEO. In FY2021 the remaining 700k IPO options (at FY end) must be exercised prior to the end of the financial year and are well in the money, as are the LTI plan performance rights from 2018. So, Mr Barkla can look forward to another (smaller) multi-million dollar realised pay packet this year, but all remaining options will then be exhausted, so there will be no records broken this coming year. This has all been due to the earlier continued stellar performance of the IEL business, which has also benefitted all the shareholders who acquired the shares during this high growth period.

Given the use of fair value and not face value in LTI computation we will not support the remuneration report this year.

| CEO rem. Framework for FY20 | Target* \$m | % of Total | Max. Opportunity \$m | % of Total |
|-----------------------------|-------------|------------|----------------------|------------|
| Fixed Remuneration | 1.050 | 38.5 | 1.050 | 29.6 |
| STI – Cash | 0.575 | 21.0 | 0.982 | 27.7 |
| STI – Equity | 0.475 | 17.5 | 0.882 | 24.9 |
| LTI | 0.630 | 23.0 | 0.630 | 17.8 |
| Total | 2.730 | 100.0% | 3.544 | 100% |

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